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Don't Let Your Historic VAT Credits Expire

UAE VAT Refunds

31 December 2026 deadline creates an urgent action point for UAE businesses. On 25 November 2025, the UAE Ministry of Finance issued Federal Decree-Law No. 16 of 2025 (amending the VAT Law) and in parallel, Federal Decree-Law No. 17 of 2025 (amending the Tax Procedures Law), both effective 1 January 2026. Together, they introduce a uniform five-year time limit for taxpayers to claim refunds of VAT credit balances and, for the first time, a hard expiry on credits that businesses have long treated as evergreen.

For businesses that have historically carried forward VAT credit balances without requesting a refund, this change creates a potentially significant cash-flow and compliance consideration. The most immediate deadline is 31 December 2026.

Businesses with certain historic VAT credit balances including balances for which the five-year period had already expired, or was due to expire within one year of 1 January 2026 have a transitional window to submit a refund request or utilise the credit against eligible tax liabilities. This transitional opportunity ends on 31 December 2026.

What has changed?

Under the amended Tax Procedures Law (Article 38), a taxpayer generally has five years from the end of the relevant tax period to submit an application for a refund of a credit balance. Under the amended VAT Law (Article 74(3)), the same five-year limit now applies to how long excess recoverable input tax may be carried forward. If the applicable deadline is missed, the right to claim the refund or credit balance is lost.

The legislation also provides specific rules where a credit balance arises following an FTA decision after the five-year period, or during the final 90 days of that period in which case additional windows of one year or 90 days may apply (Article 38, Clauses 3-4). Separately, if a refund claim is filed in the fifth year of eligibility, the FTA is granted an extended two-year window to audit that claim (Article 46) - another reason to file well ahead of any deadline rather than at the last moment.

A one-time transitional opportunity

The transitional provisions provide an important and final opportunity for businesses holding older VAT credit balances. Where the five-year period had already expired before 1 January 2026, or was due to expire during the first year following the effective date of the amendments, taxpayers may still apply for a refund or utilise the balance against eligible tax liabilities, provided the request is made within one year from 1 January 2026, i.e., by 31 December 2026.

This should not be viewed as a deadline only for businesses expecting a cash refund. Businesses should also assess whether historic VAT credits can be appropriately utilised against existing or future tax liabilities.

Mapping the deadlines: Who is impacted and when

VAT Credit Period	Why It's Affected	Effective Refund Deadline
2018 – 2021	Standard five-year claim window had already expired, or was due to expire within one year of 1 January 2026. A one-time transitional rule revives the right to claim / pulls the deadline forward, but only if exercised by 31 December 2026.	31 December 2026
2022 onward	No transitional relief needed or available. The standard rolling five-year rule applies: five years from the end of each relevant tax period.	Rolling - 5 years from period end

> In short: VAT credits from 2018 through 2021 - regardless of whether your business files monthly or quarterly, or whether a given tax period ran a full quarter or an uneven period - all funnel into the same 31 December 2026 deadline. Only credits from 2022 onward remain on the standard rolling five-year clock.
>
> | 2018 – 2021 | 2022 onward |
> |---|---|
> | One-time transitional deadline: 31 December 2026 | Standard rolling five-year rule: five years from period end |

Why should businesses act now?

Historic VAT credit balances can often remain unnoticed within an organisation's tax accounts, particularly where:

- VAT returns have consistently resulted in refundable positions;
- Balances have been carried forward for several years;
- The business has undergone acquisitions, restructurings or changes in VAT grouping;
- There are multiple VAT registrations or entities within a group;
- Refund claims have historically been deferred due to documentation or administrative considerations; or
- Finance teams have treated the VAT credit as a balance-sheet or FTA account item without a formal recovery strategy.

What appears today as a current asset on the balance sheet can ultimately translate into reduced liquidity, constrained reinvestment capacity, or avoidable working capital pressure. A VAT credit that lapses doesn't just disappear from the FTA account - it becomes a write-off that flows straight through the P&L, turning what was recorded as recoverable into a real, unrecoverable cost.

With the new time limits, simply carrying forward a VAT credit balance is no longer a sustainable approach. The question businesses should be asking is not only “How much VAT credit do we have?” but also “When does each credit expire, and what action should we take?”

What should businesses do?

We recommend that businesses undertake a structured VAT Refund Health Check covering the following areas:

- Identify all historic VAT credit balances - reconcile balances appearing in the FTA account and VAT returns, including balances carried forward from earlier periods.

- Map the expiry dates - analyse each relevant tax period and determine its applicable deadline. Different tax periods can carry different expiry dates; avoid treating the entire VAT credit balance as having a single deadline (see table above).

- Validate the underlying VAT position - before submitting a claim, confirm the input VAT is recoverable and check tax invoices, proof of payment, input VAT ledgers, VAT returns, general ledger reconciliations, business purpose and recoverability, partial exemption calculations, VAT grouping considerations, and any other documentation the FTA may request.

- Prioritise high-value and near-expiry balances - not all credits carry the same urgency; build a refund priority matrix focused on balances that are high value, approaching expiry, and supported by complete documentation.

- Decide on the appropriate recovery route - determine whether each eligible balance should be refunded, utilised against eligible liabilities, or further investigated, weighing the value of the credit, cash-flow requirements, documentation readiness and potential FTA review implications.

- Submit well before the deadline - the FTA's current service guidance indicates an estimated processing period of 25 business days for completed applications, with longer timelines where further investigation is required. December should be treated as the final deadline, not the start of the exercise for enough room for contingencies.

The Excise Tax angle

This is not solely a VAT issue. Federal Decree-Law No. 17 of 2025 also repeals the Excise Tax Law's own standalone statute-of-limitation clause (previously Article 25 bis). Rather than retaining a separate time limit, Excise Tax refund and credit positions now fall under the same unified five-year framework in the Tax Procedures Law that governs VAT and Corporate Tax.

In practice, this means: the same five-year rule, the same transitional relief mechanics, and the same 31 December 2026 deadline for historic positions apply equally to businesses registered for Excise Tax - including importers, producers and stockpilers of tobacco, energy drinks, carbonated drinks and sweetened beverages. This is particularly timely given the parallel move to a sugar-based, tiered volumetric Excise model for sweetened drinks from 2026, which many Excise-registered businesses are already reviewing operationally, the refund review can be run alongside that exercise.

How we support businesses

At Andersen, we support businesses in converting historic VAT (and Excise Tax) credit balances into a structured recovery opportunity, with a strong focus on tax technical accuracy and documentation. Our VAT Refund Review and Recovery approach can includes:

- VAT Credit Diagnostic - identify and quantify historic credit balances across registrations and tax periods.
- Expiry & Risk Mapping - map the applicable statutory deadlines and prioritise balances approaching expiry.
- Technical Review - assess the underlying VAT position and identify potential recoverability issues before submission.
- Documentation & Reconciliation - reconcile VAT returns, ledgers and supporting documentation, and identify documentation gaps.
- Refund Claim Preparation - support the preparation and submission of refund applications through the FTA's EmaraTax platform.
- FTA Support - assist with responses to FTA queries and information requests throughout the refund process.
- Recovery Strategy - advise on the appropriate approach for each balance - refund, utilisation or further review - based on the client's circumstances.

The opportunity is time-bound

For businesses with historic VAT (and Excise) credit balances, the next few months provide an important opportunity to recover amounts that may otherwise become difficult or impossible to claim. 31 December 2026 should therefore be treated as a key date in every UAE tax team's calendar.

Businesses should start by answering three questions:

- What VAT (and Excise) credits do we have?
- When do they expire?
- What action do we need to take before the deadline?

A focused VAT Refund Health Check can help businesses assess carried-forward VAT and Excise credit balances, determine potential recoverability, and identify any associated risks or actions required.

For businesses with accumulated balances, a timely review provides a structured basis to determine the appropriate course of action and address any applicable deadlines.

Get in touch

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